



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash and Cash Equivalents and Fund Cash Balances – All Fund Types.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types	6
Combined Statement of Receipts - Budget and Actual – All Budgeted Fund Types.....	7
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority – All Budgeted Fund Types.....	8
Notes to the Financial Statements	11
Schedule of Federal Awards Receipts and Expenditures.....	25
Notes to the Schedule of Federal Awards Receipts and Expenditures	26
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	27
Report of Independent Accountants on Compliance with Requirements Applicable To Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	29
Schedule of Findings – <i>OMB Circular A-133 §.505</i>	31
Schedule of Prior Audit Findings – <i>OMB Circular A-133 §.315(b)</i>	33
Corrective Action Plan – <i>OMB Circular A-133 §.315(c)</i>	34

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Oak Hill Union Local School District
Jackson County
265 West Cross Street
Oak Hill, Ohio 45656

To the Board of Education:

We have audited the accompanying financial statements of the Oak Hill Union Local School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2002. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash and cash equivalents and combined fund cash balances of the Oak Hill Union Local School District, Jackson County, as of June 30, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management and the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

November 5, 2002

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

COMBINED STATEMENT OF CASH AND AND CASH EQUIVALENTS AND
FUND CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2002

Cash and Cash Equivalents \$17,463,719

CASH BALANCES BY FUND TYPE

Governmental Funds:

General	1,162,261
Special Revenue	369,065
Debt Service	114,640
Capital Projects	15,313,155

Proprietary Funds:

Enterprise	20,796
------------	--------

Fiduciary Funds:

Expendable Trust	440,480
Agency	<u>43,322</u>

Total \$17,463,719

The notes to the financial statements are an integral part of this statement.

This page intentionally left blank.

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Debt Service	Expendable Trust	(Memorandum Only)
Cash Receipts:					
Receipts from Local Sources:					
Taxes	\$1,341,962	\$34,015	\$288,281	\$	\$1,664,258
Tuition	16,565				16,565
Earnings on Investments	111,029			704,961	831,665
Extracurricular Activities		178,664		15,675	178,664
Miscellaneous Receipts	956			1,090	2,046
Receipts from Intermediate Sources:					
Unrestricted Grants-in-Aid	36,159	4,723			40,882
Receipts from State Sources:					
Unrestricted Grants-in-Aid	5,323,119	4,945	41,902		5,369,966
Restricted Grants-in-Aid	196,848	455,568		7,569,200	8,221,616
Receipts from Federal Sources:					
Restricted Grants-in-Aid		563,140			563,140
Unrestricted Grants-in-Aid	37,863				37,863
Total Cash Receipts	7,064,501	1,241,055	330,183	16,765	16,926,665
Cash Disbursements:					
Instruction:					
Regular Instruction	2,989,680	476,649		250	3,499,732
Special Instruction	531,541	310,569			842,110
Vocational Instruction	60,251				60,251
Adult Continuing				12,500	12,500
Other Instruction	26,232				26,232
Support Services:					
Pupils	299,691	44,328			344,019
Instructional Staff	284,904	140,519			427,143
Board of Education	20,169			1,720	20,169
Administration	712,971	86,522			799,493
Fiscal	227,538	16,771	8,794		253,103
Operation and Maintenance	650,538	1,175		3,753	655,466
Pupil Transportation	1,009,477	2,035			1,011,512
Central	28,405	13,582		78	42,065
Non-Instructional Services:					
Food Services Operations		530			530
Community Services	(3,009)	8,000			4,991
Extracurricular Activities:					
Academic Oriented	734	30,357			31,091
Sports Oriented	18,867	100,521			119,388
Facility Acquisition and Construction:					
Site Acquisition	62,638			258,970	321,608
Site Improvements	957			6,847,265	6,848,222
Architecture and Engineering				323,135	323,135
Debt Service:					
Repayment of Debt			272,415		272,415
Total Cash Disbursements	6,921,584	1,231,558	281,209	12,750	15,915,175
Excess of Cash Receipts Over/(Under) Cash Disbursements	142,917	9,497	48,974	4,015	1,011,490
Other Financing Sources/(Uses):					
Sale of Bonds	172,950				172,950
Sale and Loss of Assets	11,854			5,270	17,124
Advances In	30,389				30,389
Refund of Prior Yr. Expenditures	76,612				76,612
Operating Transfers-Out	(41,000)				(41,000)
Advances Out				(30,389)	(30,389)
Total Other Financing Sources/(Uses)	250,805	0	0	0	225,686
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	393,722	9,497	48,974	4,015	1,237,176
Fund Cash Balances, July 1	768,539	359,568	65,666	436,465	16,162,425
Fund Cash Balances, June 30	\$1,162,261	\$369,065	\$114,640	\$440,480	\$17,399,601

The notes to the financial statements are an integral part of this statement.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE:
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Receipts:			
Food Service	\$52,190	\$	\$52,190
Extracurricular Activities		94,839	94,839
	<u>52,190</u>	<u>94,839</u>	<u>147,029</u>
Operating Disbursements:			
Personal Services - Salaries	86,622		86,622
Employees' Retirement and Insurance	44,194		44,194
Purchase Service	1,243	300	1,543
Supplies and Materials	86,274	90,476	176,750
Other Objects	2,150	6,300	8,450
	<u>220,483</u>	<u>97,076</u>	<u>317,559</u>
Excess of Operating Receipts Over/(Under) Operating Disbursements	<u>(168,293)</u>	<u>(2,237)</u>	<u>(170,530)</u>
Non-Operating Receipts:			
Miscellaneous	2,739		2,739
State Sources:			
Restricted Grants-in-Aid	10,068		10,068
Federal Sources:			
Unrestricted Grants-in-Aid	114,216		114,216
	<u>127,023</u>	<u>0</u>	<u>127,023</u>
Excess of Revenue Over/(Under) Expenses Before Interfund Transfers	(41,270)	(2,237)	(43,507)
Operating Transfers-In	41,000	477	41,477
Operating Transfers-Out		(477)	(477)
	<u>(270)</u>	<u>(2,237)</u>	<u>(2,507)</u>
Net Excess of Revenues Over/Under Expenses	(270)	(2,237)	(2,507)
Fund Cash Balances, July 1	<u>21,066</u>	<u>45,559</u>	<u>66,625</u>
Fund Cash Balances June 30	<u>\$ 20,796</u>	<u>\$ 43,322</u>	<u>\$ 64,118</u>

The notes to the financial statements are an integral part of this statement.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Governmental</u>			
General	\$7,349,867	\$7,356,306	\$6,439
Special Revenue	1,237,607	1,241,055	3,448
Debt Service	330,183	330,183	0
Capital Projects	9,669,471	8,279,431	(1,390,040)
<u>Proprietary</u>			
Enterprise	220,213	220,213	0
<u>Fiduciary</u>			
Expendable Trust	16,816	16,765	(51)
Total (Memorandum Only)	<u>\$18,824,157</u>	<u>\$17,443,953</u>	<u>(\$1,380,204)</u>

The notes to the financial statements are an integral part of this statement.

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPLERED WITH EXPENDITURE AUTHORITY
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<u>Governmental</u>			
General	\$163,312	\$6,979,510	\$7,142,822
Special Revenue	49,010	1,224,432	1,273,442
Debt Service	0	281,209	281,209
Capital Projects	984,679	20,331,124	21,315,803
<u>Proprietary</u>			
Enterprise	0	220,483	220,483
<u>Fiduciary</u>			
Expendable Trust	1,700	11,050	12,750
Total (Memorandum Only)	<u>\$1,198,701</u>	<u>\$29,047,808</u>	<u>\$30,246,509</u>

The notes to the financial statements are integral part of this statement.

<u>Disbursements</u>	<u>Encumbrances Outstanding at 06/30/02</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
6,962,584	\$180,238	\$7,142,822	\$0
1,231,558	41,884	1,273,442	0
281,209	0	281,209	0
7,498,463	13,817,340	21,315,803	0
220,483.00	0	220,483	0
12,750.00	0	12,750	0
<u>\$16,207,047</u>	<u>\$14,039,462</u>	<u>\$30,246,509</u>	<u>\$0</u>

This page intentionally left blank.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the Entity

Oak Hill Union Local School District, Jackson County (the School District), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and/or local guidelines.

The School District is staffed by 75 certificated employees and 50 non-certificated employees who provide services to 1264 students.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate for the School District. For Oak Hill Union Local School District, this includes general operations, food service and student related activities.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also included organizations that are fiscally dependent on the School District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the School District. The School District is associated with the Gallia Jackson Vinton Joint Vocational School District and the South Central Ohio Computer Association, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 9 and 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to file its annual financial report pursuant with accounting principles generally accepted in the United States of America, the School District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting (Continued)

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the School District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State has reported this matter to the Ohio Department of Education.

B. Pooled Cash

The School District Treasurer invests available funds of the School District in interest-bearing checking accounts and certificates of deposit. This cash is pooled for investment purposes to capture the highest rate of return.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

C. Fund Accounting

The School District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

The restrictions associated with each type of fund are as follows:

1. Governmental Fund Types

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Fund Types (Continued)

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Fund Type

Enterprise Funds

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Type

Expendable Trust and Agency Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include an expendable trust fund and agency funds.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

1. Budget

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

2. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Jackson County Budget Commission for rate determination.

3. Estimated Resources

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2001, unencumbered fund balances. However, those fund balances are available for appropriations

4. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

5. Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Property, Plant and Equipment

Fixed assets acquired or constructed for the School District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

F. Accumulated Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. EQUITY IN POOLED CASH

The School District maintains a cash and investments pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash and Cash Equivalents and Fund Cash Balances" as "Cash Balances by Fund Type."

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

3. EQUITY IN POOLED CASH (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature with five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

3. EQUITY IN POOLED CASH (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$17,463,719 and the bank balance was \$17,577,865. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$17,477,865 was collateralized by securities held by a third party bank in the School District's name.

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Education. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the School District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the School District.

5. DEBT OBLIGATIONS

The School District's long-term obligations at June 30, 2002 were as follows:

	<u>Principal</u>
Classroom Facilities Bonds at 4.45% -5.65%	\$3,495,000
OASBO School Pool 2002 Bus Debt at 5.375%	<u>177,000</u>
Total	<u>\$3,672,000</u>

On April 4, 2002, the District issued \$177,000 in revenue bonds for the purchase of school buses and related equipment in connection with OASBO expended asset pooled financing program. The notes were issued for a period of four and three-quarter years.

On August 1, 2000, the School District issued \$3,677,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping such buildings; and improving School District sites.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

5. DEBT OBLIGATIONS (Continued)

The annual requirements to amortize debt outstanding as of June 30, 2002, including interest payments, are as follows:

Year Ending June 30	Classroom Facilities Bonds	School Bus Revenue Bonds	Total
2003	\$273,908	\$39,681	\$313,589
2004	284,902	39,546	324,448
2005	285,392	39,171	324,563
2006	285,600	39,607	325,207
2007	285,520	38,889	324,409
2008-2012	1,431,610	0	1,431,610
2013-2017	1,436,865	0	1,436,865
2018-2022	1,419,960	0	1,419,960
2023	282,769	0	282,769
Total	<u>\$5,986,526</u>	<u>\$196,894</u>	<u>\$6,183,420</u>

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year ending June 30, 2002 the School District contracted with Mid-American Fire & Casualty Co. for property insurance and inland marine coverage.

Professional and general liability is protected by Indiana Insurance with a \$1,000,000 single occurrence limit with \$3,000,000 aggregate and no deductible. Vehicles are covered by the Netherlands Insurance Company. Vehicle liability had a \$1,000,000 single limit of liability. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, (the latest information available), 4.2 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were, \$52,124, \$40,315 and \$43,661 respectively. 100 percent has been contributed for fiscal year 2002, 2001, and 2000.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations.

Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2002, 2001 and 2000 were \$334,956, \$324,745, \$198,921. 100 percent has been contributed for fiscal years 2002, 2001 and 2000.

8. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the SERS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums.

Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$158,664, for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3,256 million. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 9.80 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during 2002 fiscal year equaled \$132,695.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA \$19,743 for services provided during the year. Financial information for SCOCA can be obtained from their fiscal agent, Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

9. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2002, the District made no contributions to the Joint Vocational School. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

10. INSURANCE PURCHASING POOL

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

11. STATUTORY RESERVES

The School District is required by the state law to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Prior to April 10, 2001 the School District was required to set aside money for budget stabilization. After April 10, 2001, the District was able to choose the distribution of the budget reserves. With a resolution from the Board, the District could return the balance to the General Fund, leave it in the reserve account or use it for the District's portion of basic project costs for any School Facilities Commission project. The District left the balance in the reserve account. The following information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

11. STATUTORY RESERVES (Continued)

	Textbook	Capital Acquisition	Budget Stabilization	Total
Set-aside Reserve Balance as of June 30, 2001	(\$107,375)	\$ 0	\$40,068	(\$67,307)
Current Year Set-aside Requirement	129,123	129,123	0	258,246
Qualifying Disbursements	96,113	129,123	0	225,236
Set-aside Balance Carried Forward to Future Fiscal Years	(\$74,365)	\$0	\$40,068	(\$34,297)
Set-aside Reserve Balance as of June 30, 2002	(\$74,365)	\$0	\$40,068	(\$34,297)

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. This extra amount may be used to reduce the set-aside requirement of future years.

12. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that required modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a Court appointed mediator. On March 21, 2002, the mediator issued his final report indicating the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

13. CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had a site acquisition and architectural contract purchase commitment for the construction of a new grade 6-12 facility and the renovation of existing facilities as follows:

<u>Contractor</u>	<u>Balance at 07/01/01</u>	<u>Additions</u>	<u>Amount Expended</u>	<u>Balance at 06/30/02</u>
Harrison, Adkins, Harrison	\$106,820	\$0	\$62,638	\$44,182
Romig Roofing	12,408	0	0	12,408
Fanning, Howey & Associates	578,394	0	83,855	494,539
CLT Engineering	11,689	0	11,462	227
Gandee & Associates	35,817	0	29,609	6,208
Stockmeister Enterprises	0	13,196,063	4,428,718	8,767,345
Wasserstrom	0	470,117	0	470,117
A.J. Stockmeister	0	3,907,036	1,569,062	2,337,974
Great Valley Fire	0	134,560	18,337	116,223
Portland Electric	0	838,829	68,781	770,048
Dalmation Fire	0	209,289	81,853	127,436
West End Electric	0	1,273,601	526,411	747,190
Lepi Enterprises	0	95,708	67,192	28,516
Total	\$745,128	\$20,125,203	\$6,947,918	\$13,922,413

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

This page intentionally left blank.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$	\$11,770	\$	\$10,958
National School Breakfast	05-PU-2001 05-PU-2002	10.553	6,625 28,356		6,625 28,356	
Total National School Breakfast Program			<u>34,981</u>	<u>0</u>	<u>34,981</u>	<u>0</u>
National School Lunch Program	LL-P4-2001 LL-P4-2002	10.555	12,779 64,624		12,779 64,624	
Total National School Lunch Program			<u>77,403</u>	<u>0</u>	<u>77,403</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			112,384	11,770	112,384	10,958
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (ODEA Part B)	6B-EC-2000 6B-SF-2001 6B-SF-2002	84.027	4,032 35,329 93,336		4,013 39,403 76,311	
Total Title VI-B			<u>132,697</u>	<u>0</u>	<u>119,727</u>	<u>0</u>
Special Education - Preschool Grant	PG-S1-2001	84.173	1,709		1,401	
Total Special Education Cluster			134,406	0	121,128	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2001 C1-S1-2002	84.010	69,092 273,234		107,056 253,839	
Total Title I			<u>342,326</u>	<u>0</u>	<u>360,895</u>	<u>0</u>
Innovative Education Program Strategies	C2-S1-2001 C2-S1-2002	84.298	2,712 1,922		4,327	
Total Innovative Education Program Strategies			<u>4,634</u>	<u>0</u>	<u>4,327</u>	<u>0</u>
Safe and Drug Free Schools and Communities State Grant	DR-S1-2001 DR-S1-2002	84.186	5,030		1,451 1,735	
Total Safe and Drug Free Schools			<u>5,030</u>	<u>0</u>	<u>3,186</u>	<u>0</u>
Eisenhower Professional Development Grant	MS-S1-2001 MS-S1-2002	84.281	811 9,035		4,447 2,414	
Total Eisenhower Professional Development Grant			<u>9,846</u>	<u>0</u>	<u>6,861</u>	<u>0</u>
Class Size Reduction Grant	CR-S1-2000 CR-S1-2001 CR-S1-2002	84.340	2,953 16,403 47,542		5,990 17,124 33,559	
Total Class Size Reduction Grant			<u>66,898</u>	<u>0</u>	<u>56,673</u>	<u>0</u>
Total U.S. Department of Education			563,140		553,070	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (Medicaid: Title XIX)	N/A	93.778	37,893		37,893	
Total U.S. Department of Health and Human Services			<u>37,893</u>		<u>37,893</u>	
Total Federal Awards Receipts and Expenditures			<u>\$713,417</u>	<u>\$11,770</u>	<u>\$703,347</u>	<u>\$10,958</u>

The accompanying Notes to the Schedule of Federal Award Receipts and Expenditures are an integral part of this Schedule.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Oak Hill Union Local School District
Jackson County
265 West Cross Street
Oak Hill, Ohio 45656

To the Board of Education:

We have audited the financial statements of the Oak Hill Union Local School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated November 5, 2002, which noted the School District prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-10740-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 5, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not required inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 5, 2002.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

November 5, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Oak Hill Union Local School District
Jackson County
265 West Cross Street
Oak Hill, Ohio 45656

To the Board of Education:

Compliance

We have audited the compliance of the Oak Hill Union Local School District, Jackson County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

November 5, 2002

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Grants to Local Educational Agencies, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2002-10740-001

Noncompliance Citation

Ohio Admin. Code § 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles.

The School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual financial reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies may be taken against the School District.

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the School District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State has reported this matter to the Ohio Department of Education.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10740-001	A noncompliance citation was issued under former Ohio Admin. Code Section 117-2-01, for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: The School District's officials did not believe that preparing financial statements in accordance with generally accepted accounting principles was cost beneficial. Reissued as Finding Number 2002-10740-001.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2002-10740-001	Due to the passage of a bond issue to build a new school and renovate existing facilities, the Board of Education chose to report on the cash basis until the construction project is complete.	June 30, 2004	Rhonda Harrison, Assistant Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

OAK HILL UNION LOCAL SCHOOL DISTRICT

JACKSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 3, 2002**